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Department of Consumer Affairs Renews Consumer Alert: Some 'Get Out of Debt' Firms Sink Customers Deeper

The California Department of Consumer Affairs (DCA) is again warning consumers with debt worries to use caution when considering "Get Out of Debt" companies.

Some "Get Out of Debt" companies face state and federal consumer fraud charges.

Consumers should closely examine any promotion promising to eliminate calls from debt collectors, lower interest rates or reduce debts. Promises to instantly erase debt and repair credit are likely too good to be true.

DCA offers the following tips for selecting a credit counseling or debt-management program:

- Make sure the company has a good track record. Talk with other customers, get genuine references, and check with the Better Business Bureau.
- Have the company send you written materials covering its business history and services, before making any payments or signing any contract.
- Credit Services Organizations must be registered with the California Attorney General and have a \$100,000 bond on file with the California Secretary of State.
- Look for a program that provides true budget counseling and courses on how to budget, save and invest your money. Make sure the counseling includes an action plan for paying your debts.
- A low-cost or no-cost program is less risky than one that demands costly fees, up-front, before providing services.
- Ask if the program's employees are bonded, so the money you pay for your creditors won't be lost.
- Ask how often payments are made to creditors. The agency should pay creditors at least monthly.
- Insist on proof of payment. The company should provide monthly statements showing when and how much it paid each creditor.
- Be wary of Web site promotions with no presence in your community and little or no educational content.
- Heavy advertising doesn't necessarily mean good service. It's often just the opposite.
- Just because a company is "non-profit" doesn't guarantee good results. Your money may just go to pay high salaries.

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Reputable companies put your money in a trust account, separate from operating income, so it actually goes to your creditors.

Consumers themselves can take every action that a debt-relief company can, often at no cost or low cost. If consumers need assistance, they have the option of low-cost, non-profit credit counseling services.

After receiving a number of complaints from consumers, the Department of Consumer Affairs first issued a "Consumer Alert" on one "Get Out of Debt" company, Briggs & Baker, in September 2002. Some consumers reported they'd paid the company thousands, received no services and ended up deeper in debt. Briggs & Baker now faces state and federal charges.

The FTC alleges Innovative Systems Technology, Inc. (doing business as Briggs & Baker) and Debt Resolution Specialists, Inc., and Todd A. Baker and Jack Briggs, also known as John Briggs, used false and misleading advertising and failed to deliver on promised services.

Jack Briggs has agreed to settle the FTC charges. He signed a stipulated order that permanently bars him from participating in any debt reduction, negotiation, or consolidation business and from misrepresenting any fact material to a consumer's decision to purchase a good or service.

The [California Attorney General lawsuit](#) against Briggs & Baker, Innovative Systems Technology, Inc., Debt Resolution Specialists, Inc., Todd Baker, Jack Briggs and other named and unnamed officers, staff members or agents of the companies, alleges violations of state laws against false and misleading advertising and unlawful, unfair or deceptive business practices. It also alleges the defendants represented themselves as a Credit Services Organization when they were not registered with the Attorney General as required.

Two other companies are connected to the defendants, according to the Attorney General's Office. Defendant Innovative Systems Technology, Inc. has also registered the fictitious business name of "Professional Debt Solutions." Another company that offers similar services, "Financial Help Network," is a fictitious business name registered to a corporation owned by a relative of defendant Todd Baker, and its Web site directs you to Debt Resolution Specialists, Inc., also a defendant in the Attorney General's case.

Visit the Department of Consumer Affairs Web site at www.dca.ca.gov, the Federal Trade Commission Web site at www.ftc.gov and the Better Business Bureau Web site at www.bbb.org for consumer information and tips on credit counseling services and other credit-related consumer issues.

The FTC offers the "[Credit Repair: Self-Help May Be Best](#)" guide. Consumers can also review DCA's legal guides on "Credit Repair Services" and "What To Do if You Receive a Demand for Payment from a Creditor or Debt Collection agency" at www.dca.ca.gov/legal.

Consumers who believe they have been victimized by a debt-reduction company can file a complaint with the Attorney General's Public Inquiry Unit at: www.ag.ca.gov/consumers/general.htm.

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